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Implementation of the Lima Declaration: Towards inclusive and sustainable industrial development

Implementation of the Lima Declaration: Towards inclusive and sustainable industrial development

Report by the Director General

In accordance with resolution GC.15/Res.1, this document reports on UNIDO's assistance to Member States towards achieving enhanced levels of inclusive and sustainable industrial development and on its developmental impact. The document provides up-to-date information on UNIDO's strategic approach to partnerships in this context. In line with resolution GC.15/Res.2, this document also provides a progress report on UNIDO and the post-2015 development agenda.

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I. Technical assistance towards inclusive and sustainable industrial development

Introduction

1. Document IDB.42/14 provided a first account of the implementation of the Lima Declaration, focussing on results-based accounting of UNIDO's technical cooperation (TC) activities along the three dimensions of inclusive and sustainable industrial development (ISID). The report introduced the 2014 initiatives to build partnerships to effectively promote ISID in developing Member States, through the establishment of the Partnerships and Results Monitoring Branch (PRM) backed by a communication outreach strategy; and through two key ISID Forums. The ISID Forum held in June 2014 aimed to facilitate the exchange of knowledge and best practices among countries, while the ISID Forum in November 2014 defined concrete Programmes for Country Partnerships (PCPs), starting with two pilot countries.

2. This section of the present document covers the period from October 2014 to April 2015. It provides an overview of performance in 2014 of TC aimed at ISID and summarizes the achievements of the second ISID Forum held in November 2014 and the design and promotion of the PCPs in Ethiopia and Senegal, showing how the strategic deployment of UNIDO's traditional TC services in the PCPs enhances the development impact of UNIDO TC activities.

Technical cooperation performance in 2014

3. In 2014, UNIDO delivered a total of $171.2 million in TC services in a hundred countries. The majority of the services, $108.1 million or 63.2 per cent of the total volume of TC delivery in 2014, were aimed at the ISID thematic area of environmental sustainability. $32.0 million, or 18.7 per cent of the total, were aimed at social inclusiveness, through services in poverty alleviation through job creation, particularly in rural areas. 14 per cent of the total was allocated to services promoting the competitiveness of small and medium enterprises, and to services contributing to economic growth through the facilitation of international trade for manufactured products originating from developing countries.

4. A total of $53.6 million, or 31.3 per cent of the total, were delivered in Africa (including North African Arab States), making the region the largest recipient of UNIDO's assistance, followed by Asia ($49.9 million or 29.1 per cent of the total), Eastern Europe and Central Asia ($24.2 million or 14.1 per cent), Latin America and the Caribbean ($8.9 million or 5.2 per cent) and Western Asia Arab States ($7.9 million or 4.6 per cent).

5. A typical feature of UNIDO's resource flows is that funding for TC services is voluntary for nearly all the Organization's technical assistance operations: indeed, the Constitution of UNIDO states (paragraph B, annex II) "In order to improve the effectiveness of the Organization's programme of work in the field of industrial development, the regular budget shall also finance other activities heretofore financed out of Section 15 of the United Nations Regular Budget, in the amount of 6 per cent of the total of the regular budget."

6. UNIDO therefore has to raise voluntary contributions for most of its TC operations. These are earmarked contributions, mobilized on a project-by-project basis. A significant share of the Organization's core resources has to thus be allocated to raising funds for UNIDO's TC programmes. This also means that the Secretariat does not have complete control over the thematic allocation of its TC resources, as these depend on the willingness of external sponsors such as multilateral funds and bilateral donors.

7. Through their financial contributions, the Global Environment Facility and the Multilateral Fund for the Montreal Protocol supported nearly half of UNIDO's total TC delivery in 2014 (47.9 per cent), underwriting the dominance of the energy and environment prong of ISID in the TC operations that year. Next came the European Union (11.3 per cent) and bilateral donors such as Switzerland, Japan and Italy.

8. The voluntary contributions to UNIDO TC activities by non-Member States such as Canada and the United States of America should be noted. Another remarkable trend is that of growing inflows from developing countries such as China, India and other large emerging economies, as well as Nigeria, Côte d'Ivoire, Gabon and others. For example, in 2014 Niger signed a multi-million dollar trust fund with UNIDO, to secure TC support for the national food security strategy "les Nigériens nourissent les Nigériens".

9. Funded through voluntary contributions, the continued inflow of resources invested in support of UNIDO TC operations highlights the perceived relevance of the Organization's services to developing Member States. In 2014, UNIDO raised a total of $191 million towards its TC operations, the second highest figure of voluntary contributions in the Organization's history.

10. However, the prospect of reaching a plateau in TC operations exists, if the demands of developing countries and the growing streams of voluntary contributions raised towards offering commensurate TC services are not matched by adequate resources to maintain or expand service delivery capacity. UNIDO TC operations are highly skill-intensive and require considerable time investment by the Secretariat's workforce of experts and project managers. The $171.2 million TC delivery recorded in 2014 was distributed over no less than 883 projects. Only 31 projects absorbed more than $1 million of services during the year, and 300 projects altogether showing a delivery in excess of $100,000.

11. As evidenced by independent evaluations carried out over the years, these projects are appreciated by the recipients, indicating that they offer an effective response to their needs. They therefore appear adequately designed, but a large number of relatively small projects raises several issues: it puts pressure on the delivery capacity of the Secretariat; it prolongs the efforts under way to a full, ISID-consistent, results-based management and reporting system; on its own, it cannot mobilize the volumes of resources needed to trigger a momentum towards ISID. A new business model is called for, whereby UNIDO's TC resources are strategically invested to leverage larger, parallel flows of public and private investment by Governments, multilateral development banks, and large and small private sector actors.

The partnership approach

12. Through its partnership approach, UNIDO uses its grant-funded, specialized services to address externalities and coordination failures that together inhibit the flow of public and private investment to ISID. The elementary services remain unchanged and follow the vision of, inter alia, the expanded medium-term programme framework 2010-2013 (IDB.35/8/Add.1) and the outcome document of the informal working group on the future, including programmes and resources, of UNIDO, entitled "Strategic Guidance Document" (IDB.41/24). These services are deployed through Programmes for Country Partnerships (PCPs) designed, promoted and executed under the leadership of the national authorities and in close cooperation with development assistance and investment partners.

13. PRM began working in the pilot countries Ethiopia and Senegal, two low-income countries in Africa. The pilot countries were selected in line with specific criteria, such as the availability of a well-articulated national industrialization strategy supported by a clear business plan, and the necessity to design compact PCPs amenable to yielding tangible benefits within a short time frame.

14. First, high-level missions visited both countries in 2014 to meet with Government authorities, industry associations, development partners and bilateral and multilateral development banks, and to brief stakeholders on the main tenets of UNIDO's partnership approach towards ISID. Second, these missions were followed by technical teams who developed, by early November 2014, the outline of PCPs embedded in national development strategies, development assistance programmes, and investment flows. The two PCPs were presented at the second ISID Forum in November 2014.

15. Following the second ISID Forum, the outline PCPs were developed in detailed documents approved by the UNIDO Executive Board in December 2014, and subsequently by the Governments of Ethiopia and Senegal in February and March 2015, respectively. IDB.42/CRP.5 provides greater detail on the two PCPs and the relevant programme documents are available upon request.

16. The constituting services deployed in the two PCPs draw on the regular TC capacities of the Organization. Industrial policy advice, agro-poles and agro-industrial parks, energy efficient technologies, waste management and cleaner production, investment promotion and trade facilitation are the building blocks of these comprehensive interventions. However, what is new is the leverage effect of the partnership approach. While the grant-funded PCPs cost $30 million to $40 million, comparable with the larger programmes carried out by UNIDO, they are effectively integrated into far larger initiatives by the host Governments with the documented support of development finance institutions such as the World Bank, the International Finance Corporation or the European Investment Bank.

17. The central role of UNIDO in these multi-stakeholder initiatives is reflected in the coordination platforms established by the national Governments in Ethiopia and in Senegal. The coordination mechanisms include all relevant ministries, development partners and finance institutions, and assign a central role to UNIDO to facilitate the coordination of these interventions.

18. The Results Monitoring Unit of PRM will develop performance indicators to objectively capture the ultimate development impact of the PCPs when accounting for parallel streams of investment finance, and private corporate resources.

II. UNIDO and the post-20215 development agenda

Current status

19. The Open Working Group (OWG), which was tasked with proposing a set of Sustainable Development Goals (SDGs), included in its final report of 19 July 2014 goal 9: "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation". To strengthen the linkages between SDGs in order to capitalize on synergies and further break down silo-approaches, ISID-related targets were also included in goal 8: "Sustained economic growth and employment" and in goal 12: "Sustainable consumption and production". UNIDO also has a potential role to play in proposed goal 17: "Strengthen the means of implementation and revitalize the global partnership for sustainable development", specifically supporting Member States in the areas of partnership and technology transfer.

20. Following the publication of the OWG outcome document, the United Nations Secretary-General published his synthesis report on 4 December 2014, and in January 2015 the intergovernmental negotiations process, which includes all Member States, took over from the OWG. These developments represent major milestones in the post-2015 process.

21. The intergovernmental negotiation process on the post-2015 development agenda was first mandated by the United Nations General Assembly at its special event on the Millennium Development Goals in September 2013, which also decided that a Global Summit should be held in September 2015 to adopt a new United Nations development agenda. The first of these negotiating sessions took place from 19 to 21 January 2015 and focused on taking stock of the process so far. The second session took place from 17 to 20 February 2015, and focused on the "declaration" element of the outcome of the process. The third session took place from 23 to 27 March 2015 and addressed the goals, targets and indicators.

Engagement in the processes (post-Open Working Group)

22. In line with resolutions GC.15/Res.1 and GC.15/Res.2, UNIDO is actively engaging in the various processes to elaborate the new development framework.

23. In order to be responsive to the specific needs and expectations of Member States, UNIDO has fostered an open dialogue with its Member States throughout the process. Since March 2013, six briefings on the post-2015 development agenda have been held, with the active participation of Member States representatives in Vienna. Communication channels and cooperation have also been strengthened in field locations and through the work of UNIDO's Liaison Offices. In support of ISID, a Group of Friends of ISID was established in November 2013 in New York, which has grown to comprise 38 Permanent Representatives to the United Nations. This group has expressed strong support for ISID in the current intergovernmental negotiations and issued a common statement during the tenth session of the OWG in

April 2014. UNIDO has facilitated a series of briefings on ISID-related issues to various regional and political groups.

24. As a member of the UNDG, UNIDO, through its field network, also engaged in the various consultations organized at the country and regional levels. It further lent its expertise to support the UNDG's thematic consultations in the areas of economic growth and employment, environmental sustainability, and energy. As part of the UNDG's second round of consultations on means of implementation (MOIs), UNIDO was requested to co-lead the consultations on "Engaging with the private sector", together with the United Nations Global Compact. These consultations included, among others, the "Europe and Central Asia strategic consultation" which took place in June 2014 in Bratislava.

25. In December 2014 the co-facilitators of the intergovernmental negotiations requested the support of the United Nations Statistical Commission (UNSC) in developing an indicator framework. The forty-sixth session of the UNSC took place from 3 to 6 March 2015, and was organized on the theme of "Data in support of the post-2015 development agenda". UNIDO engaged actively and fully in this process and provided a comprehensive draft framework of indicators for goal 9 and other related goals.

The way forward

26. Although great progress has been made in elaborating the post-2015 development agenda, its final content and shape are not yet complete. Four more intergovernmental sessions will take place before the summit in September. The first of these will be on means of implementation (MOIs) and partnership. This will be followed by a follow-up and review session, and three sessions on the outcome document itself in the months before the summit. It remains to be seen if or how the "six elements" outlined in the Secretary-General's synthesis report will be included in the outcome document.

27. The Third International Conference on Financing for Development will take place from 13 to 16 July 2015 in Addis Ababa. It is expected to result in an agreed intergovernmental outcome document, the "Addis Ababa Accord". It is envisaged that the outcome document will constitute a significant input to the understanding of realistic and implementable MOIs. UNIDO will actively participate in, and contribute its expertise to, the event.

28. Regarding indicators, a refined indicator framework for the SDGs and their targets will be proposed in July 2015 by the Inter-agency and Expert Group on SDG Indicators. UNSC's forty-sixth session endorsed a road map with a timetable which foresees the endorsement of an indicator framework at its forty-seventh session in March 2016.

29. In these final stages of the process of formulating the SDGs and their related targets and indicators, UNIDO will continue to engage with the post-2015 development agenda and support Member States in this process through its field network, Liaison Offices and at Headquarters. UNIDO will also prepare itself to take an active role in helping its Member States to develop their national capacities in monitoring, as well as its own capacity to collect data and report on a global basis.

III. Action required of the Board

30. The Board may wish to take note of the information provided in the present document.